



News from **Councilmember Todd Gloria**

City of San Diego ▪ District Three

Friends,

It is budget season at City Hall, and I want to share with you some important news about decreased future retiree healthcare liabilities, a proposal to save our recreation centers and libraries from drastic cuts, and the addition of \$1.3 million unanticipated funds into next year's budget.

Retiree Healthcare Agreement Will Generate Enormous Savings

Today I joined Mayor Jerry Sanders and others to announce the tentative agreement between the City and most employees on the future of retiree healthcare that is expected to generate hundreds of millions in taxpayer savings.

This tentative agreement demonstrates the commitment of most councilmembers to addressing our long-term financial liabilities and ending our City's structural budget deficit. The agreement places San Diego on the cutting edge of fiscal reform and demonstrates that it is possible to save taxpayers' money and provide fair benefits to employees.

Taxpayers will see immediate savings by eliminating \$323 million from the unfunded liability. Going forward, the City's annual savings will be \$3.45 million in Fiscal Year 2015 and increase to \$59.2 million in 2036. Over the course of the next 25 years, the total annual benefit to taxpayers will add up to \$714 million.

Savings will result because the plan reduces the benefits promised, requires employees to contribute to their retiree healthcare costs and provides protections to taxpayers by allowing the City Council to change this agreement if the City's financial position worsens.

Lowering the City's costs for retiree healthcare means more funds will be available for the core services upon which San Diegans depend, like parks, libraries, fire, and police services.

The tentative agreement with the Municipal Employees Association and the San Diego City Fire Fighters Local 145 is for a 15-year memorandum of understanding. Employees hired before July 1, 2005 and who retire after April 1, 2012 could choose from three options:

- The current guaranteed benefit of \$8,880 with an annual escalator of 2%. Only workers nearing retirement would be eligible for this plan, and they would contribute \$100 monthly for the benefit.

- A guaranteed benefit of \$5,500 with no annual escalator. This would require a smaller monthly contribution of \$50.
- A defined-contribution plan that aims to approximate an annual benefit of \$8,500. The amount the retiree receives would be subject to investment losses, but it would not cost the employee.

The City previously ended the entire retiree healthcare benefit for employees hired after July 1, 2005. The agreement announced today continues those past reforms that also generate savings for the City's taxpayers. The City expects to reach tentative agreements with AFSCME Local 127, Teamsters Local 911 and the Deputy City Attorneys Association by early next week.

Funding Identified to Keep Libraries and Rec Centers Open

On Tuesday, I shared my plan to spare libraries and recreation centers from the painful cuts proposed to begin on July 1. The plan draws upon nearly \$15 million of ongoing resource options to pay for these ongoing expenditures.

Browning out our libraries and recreation centers would be detrimental to the quality of life for San Diegans. This plan shows that we can sustain these core services while remaining fiscally responsible.

From the day the proposed budget was released in mid-April, I was committed to finding the funding necessary to restore the library and recreation center hours. Based on the City Council's budget resolution and the work of Independent Budget Analyst Andrea Tevlin, I identified \$14,950,000 of ongoing resources available to avoid the proposed cuts.

The resources that could be used to maintain libraries and recreation centers include

- The further reduction of benefits for Councilmembers and other City executives;
- Aggressively expanding the City's marketing opportunities strategy – and responsibly revisiting some of our restrictions related to commercial signage;
- Further reducing training and overtime expenditures;
- Adjusting workers' compensation and long-term disability funding; and
- Recovering full costs of specialized services created and intended for specific users, among others.

\$1.3 Million Found for Next Year's Budget

An audit on the City's Parking Administration found a large quantity of unpaid parking citations were never collected. While the collections process is being rectified, I requested the Mayor consider the revenue of all eligible citations for inclusion in the FY 2012 budget as a one-time resource. I received his favorable response today that \$1.3 million will be added to the budget. I am pleased that the City continues to strengthen its oversight of our operations and, even more, that this will help decrease this year's budget deficit.

Budget Hearing Schedule

Council budget deliberations continue next week, and public testimony is encouraged. The full hearing schedule is available at <http://www.sandiego.gov/citycouncil/committees/budgetandfinance/pdf/fy12departmentalbudgethearingcalendar.pdf>. All public hearings will take place in City Council Chambers on the 12th floor of the City Administration Building, 202 C Street. Comments may also be emailed to budgetandfinance@sandiego.gov.

Thank you for the opportunity to serve,

A handwritten signature in blue ink that reads "Todd". The signature is stylized with a large, looping 'T' and a cursive 'odd'.

Todd

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